

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

LINDA A. WATTERS, COMMISSIONER,
OFFICE OF FINANCIAL AND INSURANCE SERVICES
FOR THE STATE OF MICHIGAN

Petitioner,

v

COMMUNITY CHOICE MICHIGAN
a Michigan health maintenance organization

Respondent.

File No. 03-879-PR

Hon. JAMES R. GIDDINGS

**ORDER OF REHABILITATION
AND INJUNCTIVE RELIEF**

At a session of said Court
held in the Circuit Courtrooms
for the County of
State of Michigan, on the
12 day of May, 2003

PRESENT: HONORABLE JAMES R. GIDDINGS
Circuit Judge

WHEREAS, Petitioner, Linda A. Watters, Commissioner of the Office of Financial & Insurance Services of the state of Michigan ("Commissioner"), having filed a Verified Petition for Order of Rehabilitation pursuant to MCL 500.8112(a), (i), (l) and (m); and

WHEREAS, Respondent Community Choice Michigan ("Community Choice") does not wish to proceed with a show cause hearing and has consented to the filing of the Commissioner's Verified Petition for Order of Rehabilitation to which a proposed Order as now issued is attached;

I. NOW, THEREFORE, IT IS ORDERED that, pursuant to MCL 500.8112 and MCL 500.8113, the Commissioner's Petition for Order of Rehabilitation is GRANTED, and this Order of Rehabilitation of Community Choice is issued.

II. IT IS FURTHER ORDERED that the Commissioner is appointed Rehabilitator of Community Choice and is further authorized to appoint one or more Special Deputy Rehabilitator[s] pursuant to MCL 500.8114(1).

III. IT IS FURTHER ORDERED that the Rehabilitator shall take immediate possession of all the assets of Community Choice and administer those assets under this court's general supervision.

IV. IT IS FURTHER ORDERED that, by operation of law, legal title to all assets of Community Choice is vested in the Commissioner as Rehabilitator. The filing or recording of this Order with the Clerk of the Circuit Court for the 30th Judicial Circuit or the Register of Deeds for Ingham County shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with the Register of Deeds of Ingham County would have imparted.

V. IT IS FURTHER ORDERED that the Rehabilitator shall have all applicable powers set forth in Chapter 81 of the Michigan Insurance Code of 1956, as amended, being MCL 500.8101 *et seq*, without being specifically set forth in this Order, including, but not limited to, the powers set forth in MCL 500.8114 and 500.8115, and such additional powers as this court shall grant from time to time upon petition of the Rehabilitator.

VI. IT IS FURTHER ORDERED that all powers of the current directors, officers, and managers of Community Choice are suspended in their entirety upon issuance of this Order of Rehabilitation, except as may be redelegated by the Rehabilitator at her discretion.

VII. IT IS FURTHER ORDERED that the Rehabilitator may take such action as she considers necessary or appropriate to reform or revitalize Community Choice and shall be empowered to pursue all avenues of reorganization, consolidation, conversion, merger, or other transformation of Community Choice so as to effectuate a rehabilitation and maintain a continuity of health care services to the greatest extent possible.

VIII. IT IS FURTHER ORDERED that if the Rehabilitator determines that reorganization, consolidation, conversion, reinsurance, merger or other transformation of Community Choice is appropriate, she shall prepare a plan to effect those changes which shall be submitted for approval to this court.

IX. IT IS FURTHER ORDERED that the Rehabilitator shall have full power to direct, manage, hire, and discharge employees subject to any contract rights they have, and to deal in totality with the property and business of Community Choice as provided by law.

X. IT IS FURTHER ORDERED that the Rehabilitator shall take all steps necessary to preserve the existing provider network to maintain uninterrupted health care services. To the extent redelegated by the Rehabilitator to the Board of Directors of Community Choice and subject to the approval of the Rehabilitator, the Board shall work to preserve the existing provider network. The Rehabilitator shall take all necessary steps to provide future payment to all health care providers for services rendered subsequent to the date of this Order of Rehabilitation pursuant to all existing provider agreements, which agreements, or amended agreements, may be subject to further order of this court pursuant to MCL 500.8105(1)(k) compelling such agreements to remain in full force and effect.

XI. IT IS FURTHER ORDERED that, pursuant to MCL 500.8113(3), entry of this Order of Rehabilitation shall not constitute an anticipatory breach of any Community Choice contracts.

XII. IT IS FURTHER ORDERED that, pursuant to MCL 500.8106, all employees or agents of Community Choice, or any other persons with authority over or in charge of any segment of the affairs of Community Choice, including EverCare, Inc., shall cooperate fully with the Commissioner, as Rehabilitator, and the Deputy Rehabilitator. Full cooperation requires:

- a) prompt replies in writing to any inquiry requesting such a reply;
- b) immediate, full and complete access to and use of all books, accounts, documents, and other records, information or property of or pertaining to Community Choice in the possession, custody, or control of any person or entity as may be necessary so as to enable the Rehabilitator and Deputy Rehabilitator to operate the business to maintain the continuity of health care services being provided to all subscribers, and to facilitate the transfer of the management responsibilities to a different company at the discretion of the Rehabilitator. As provided by law, failure to cooperate may result in a sentence requiring the payment of a fine not exceeding \$10,000.00, imprisonment for a term of not more than one year, or both, as provided by MCL 500.8106;
- c) any and all actions necessary to fully effectuate the transfer of all management services from EverCare, Inc. to another company at the discretion of the Rehabilitator.

XIII. IT IS FURTHER ORDERED that EverCare, Inc., presently licensed as a third party administrator, and the health care management corporation currently providing management and administrative services to Community Choice, shall honor its contract and continue to perform all services to which it is obligated under the existing contract until such

time as the Rehabilitator shall enter into a new management services agreement with another company, as the continuation of these services is essential to the continuation of health care service to over 71,000 subscribers.

XIV. IT IS FURTHER ORDERED that EverCare, Inc. is enjoined and restrained from the transfer of books, records, and property of Community Choice, unless otherwise directed by the Rehabilitator, wheresoever located, or from taking any action that might lessen the value of Community Choice's assets or prejudice the rights of Community Choice's policyholders, creditors, or the administration of this rehabilitative receivership proceeding, as provided in MCL 500.8105(1)(b), (d), and (k).

XV. IT IS FURTHER ORDERED that EverCare, Inc. is enjoined and restrained from the interference in any way with the Rehabilitator or with this rehabilitative receivership proceeding, and shall cooperate fully with the Rehabilitator under this rehabilitative receivership proceeding, pursuant to MCL 500.8105(1)(c) and MCL 500.8106.

XVI. IT IS FURTHER ORDERED that, pursuant to MCL 500.8105(1)(g) and (k) and MCL 500.3529(3), all non-contracted and contracted medical care providers are hereby enjoined and restrained from obtaining any judgments from the Community Choice subscriber for all medical services rendered prior to the date of this Order of Rehabilitation.

XVII. IT IS FURTHER ORDERED that, pursuant to MCL 500.8115, all pending actions or proceedings in which Community Choice is a party, or is obligated to defend a party, are stayed from the date of entry of this court's Order, until further order of this court.

XVIII. IT IS FURTHER ORDERED that the Rehabilitator shall make an accounting to the court on or before October 1, 2003, and at least each succeeding six-month period thereafter.

XIX. IT IS FURTHER ORDERED that the court reserves jurisdiction to amend this Order of Rehabilitation or issue such further orders as it deems just, necessary, and appropriate.

JAMES R. GIDDINGS

CIRCUIT JUDGE

<p>A TRUE COPY CLERK OF THE COURT 30th JUDICIAL CIRCUIT COURT</p>
